

**City of Grand Haven, Michigan
Harbor Transit**

**Financial Statements
and Supplemental Information**
Years Ended June 30, 2005 and 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name City of Grand Haven Harbor Transit	County Ottawa
Audit Date 6/30/05	Opinion Date 10/5/05	Date Accountant Report Submitted to State: 11/28/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Pridnia LaPres, PLLC			
Street Address 3145 Henry Street, Ste. 200		City Muskegon	State MI
Accountant Signature <i>Pridnia LaPres, PLLC</i>		ZIP 49441	Date 12-15-05

City of Grand Haven, Michigan Harbor Transit

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Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council
City of Grand Haven, Michigan

We have audited the financial statements of the City of Grand Haven, Michigan as of and for the year ended June 30, 2005 and have issued our report thereon dated October 5, 2005. These financial statements are the responsibility of the City of Grand Haven, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the City of Grand Haven, Michigan as of June 30, 2004 were audited by other auditors whose report thereon, dated October 6, 2004, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements of the City of Grand Haven, Michigan taken as a whole. The accompanying financial statements and supplemental material of the Harbor Transit of the City of Grand Haven, Michigan (an Enterprise Fund of the City) are presented for the purpose of additional analysis and are not a required part of the financial statements. The information in these statements except for the portion marked "unaudited" on which we express no opinion, has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Pridnia Lapres, PLLC

October 5, 2005

City of Grand Haven, Michigan Harbor Transit

Statements of Net Assets

<i>June 30,</i>	2005	2004
Assets		
Current Assets		
Cash and cash equivalents	\$ 328,688	\$ 310,519
Accounts receivable	39,495	23,387
Inventory	27,564	25,457
Due from other governmental units	288,177	422,199
Due from other funds	159	104
Total Current Assets	684,083	781,666
Property and Equipment – At Cost,		
less accumulated depreciation (Note 2)	1,485,902	1,683,421
Total Assets	2,169,985	2,465,087
Liabilities and Fund Equity		
Current Liabilities		
Accounts payable	120,082	78,146
Accrued and other liabilities	134,707	108,779
Due to other funds	1,540	7,929
Due to other governmental units	-	4,818
Deferred revenue	36,602	36,602
Total Current Liabilities	292,931	236,274
Net Assets		
Invested in capital assets, net of related debt	1,485,902	1,683,421
Unreserved	391,152	545,392
Total Net Assets	\$1,877,054	\$2,228,813

See accompanying notes to financial statements.

City of Grand Haven, Michigan Harbor Transit

Statements of Revenue, Expenses, and Changes in Net Assets

<i>Years ended June 30,</i>	2005	2004
Operating Revenue		
Demand-response (farebox)	\$ 81,179	\$ 71,565
Contractual services	205,626	180,446
Charter	3,791	32,044
Total Operating Revenue	290,596	284,055
Operating Expenses		
Labor	825,842	752,081
Fringe benefits	231,835	213,437
Professional and contractual services	143,937	142,816
Fuel and supplies	409,248	464,289
Utilities	32,327	30,662
Casualty and liability costs	27,649	27,062
Depreciation	200,915	219,161
Other	30,771	28,761
Total Operating Expenses	1,902,524	1,878,269
Operating Loss	(1,611,928)	(1,594,214)
Non-Operating Revenue		
State grants	770,991	832,269
Federal grants	310,237	171,691
Local grants	165,660	102,055
Interest income	2,538	2,920
Other	6,123	6,518
Total Non-Operating Revenue	1,255,549	1,115,453
Loss Before Transfers	(356,379)	(478,761)
Transfers In	4,620	3,526
Changes in Net Assets	(351,759)	(475,235)
Net Assets - Beginning of year	2,228,813	2,704,048
Net Assets - End of year	\$ 1,877,054	\$ 2,228,813

See accompanying notes to financial statements.

City of Grand Haven, Michigan Harbor Transit

Statements of Cash Flows

Years ended June 30,

	2005	2004
Cash Flows from Operating Activities		
Operating loss	\$ (1,611,928)	\$ (1,594,214)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	200,915	219,161
Miscellaneous income received	6,123	6,518
Changes in assets and liabilities:		
Receivables	(16,108)	19,186
Inventory	(2,107)	572
Due from other governmental units	134,022	113,557
Due from other funds	(55)	271
Accounts payable	41,936	(45,824)
Accrued and other liabilities	25,928	4,365
Due to other funds	(6,389)	(11,444)
Due to other governmental units	(4,818)	(23,697)
Deferred revenue	-	36,602
Net Cash Used in Operating Activities	(1,232,481)	(1,274,947)
Cash Flows from Non-Capital Financing Activities		
Proceeds from operating grants and other	1,246,888	1,106,015
Operating transfers in from other funds	4,620	3,526
Net Cash Provided by Non-Capital Financing Activities	1,251,508	1,109,541
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(3,396)	(2,343)
Proceeds from sale of equipment	-	5,380
Net Cash Flows from (for) Capital and Related Financing Activities	(3,396)	3,037
Cash Flows from Investing Activities		
Interest received on investments	2,538	2,920
Net Increase (Decrease) in Cash and Cash Equivalents	18,169	(159,449)
Cash and Cash Equivalents, Beginning of year	310,519	469,968
Cash and Cash Equivalents, End of year	\$ 328,688	\$ 310,519

See accompanying notes to financial statements.

City of Grand Haven, Michigan

Harbor Transit

Notes to Financial Statements

1. Nature of Business and Significant Accounting Policies

Harbor Transit of the City of Grand Haven, Michigan is an Enterprise Fund of the City of Grand Haven. It operates under direction of the City Charter. Harbor Transit provides public transportation services to users in the City of Grand Haven and portions of the surrounding area. The accrual basis of accounting is used in preparing the financial statements.

Inventories

Inventories consist of materials and supplies and are stated at the lower of cost or market.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed on the straight-line method.

2. Property and Equipment

A summary of property and equipment is as follows:

<i>June 30,</i>	2005	2004	Depreciable Life - Years
Land	\$ 9,261	\$ 9,261	-
Building	1,095,588	1,095,588	20 years
Vehicles	1,941,359	1,941,860	3-7 years
Dispatch and office equipment	113,577	113,055	3-10 years
Total Cost	3,159,785	3,159,764	
Less accumulated depreciation	1,673,883	1,476,343	
Net Carrying Amount	\$1,485,902	\$1,683,421	

Supplemental Information

City of Grand Haven, Michigan Harbor Transit

Operating Revenue

<i>Year ended June 30, 2005</i>	July 1, 2004 to September 30, 2004	October 1, 2004 to June 30, 2005
Demand-response (farebox)	\$30,125	\$ 51,054
Contractual services	34,626	171,000
Charter	-	3,791
Total Operating Revenue	\$64,751	\$225,845

City of Grand Haven, Michigan Harbor Transit

Operating Expenses

<i>Year ended June 30, 2005</i>	Operations	Maintenance	General Administration	Total
Labor				
Operators' salaries and wages	\$ 571,438	\$ 40,300	\$ 60,179	\$ 671,917
Other salaries and wages	153,925	-	-	153,925
Fringe benefits	195,529	17,778	18,528	231,835
Professional and contractual services	8,792	34,794	100,351	143,937
Fuel and supplies consumed				
Fuel and lubricants	103,276	-	-	103,276
Other material and supplies	18,957	44,842	-	305,972
Utilities	24,987	-	242,173	32,327
Casualty and liability costs - Premiums for public liability and property damage insurance	27,649	-	7,340	
Depreciation	200,915	-	-	27,649
Other - Advertising/ Promotion media	20,124	-	-	200,915
Total operating expenses	\$ 1,325,592	\$ 137,714	\$ 439,218	\$ 1,902,524

City of Grand Haven, Michigan Harbor Transit

Non-Operating Revenue

<i>Year ended June 30, 2005</i>	July 1, 2004 to September 30, 2004	October 1, 2004 to June 30, 2005
State of Michigan operating grants		
Formula operating assistance (Act 51)	\$ 107,884	\$ 376,328
Specialized services grant	47,826	238,953
Total State of Michigan operating grants	155,710	615,281
Federal (U.S. Department of Transportation) operating grants		
Section 5307	-	306,306
Section 5311	-	3,931
Total federal operating grants	-	310,237
Local operating grants		
City of Grand Haven	-	72,928
Village of Spring Lake	-	41,067
City of Ferrysburg	-	57,340
Township of Grand Haven	-	(5,675)
Total local operating grants	-	165,660
Miscellaneous income	1,337	4,786
Interest income	434	2,104
Total non-operating revenue	\$ 157,481	\$ 1,098,068

City of Grand Haven, Michigan Harbor Transit

Expenses by Contract and General Operations

Year ended June 30, 2005

The Harbor Transit System accounts for the actual cost of charter service provided. Charter expenses are equated to charter revenue.

City of Grand Haven, Michigan Harbor Transit

Net Eligible Cost Computation of General Operations

	July 1, 2004 To September 30, 2004	October 1, 2004 to June 30, 2005	Total
Expenses			
Labor	\$ 178,439	\$ 647,403	\$ 825,842
Fringe benefits	55,194	176,641	231,835
Professional and contractual services	182	143,755	143,937
Fuel and supplies	46,560	362,688	409,248
Utilities	5,943	26,384	32,327
Casualty and liability costs	8,034	19,615	27,649
Depreciation	60,111	140,804	200,915
Other	8,163	22,608	30,771
Total expenses	362,626	1,539,898	1,902,524
Less ineligible expenses			
MPTA dues	(81)	(104)	(185)
Charter expenses	-	(3,791)	(3,791)
Greyhound	(1,333)	(4,778)	(6,111)
State grant – specialized services	(47,826)	(238,953)	(286,779)
Total ineligible expenses	(49,240)	(247,626)	(296,866)
Net Eligible Expenses	\$313,386	\$1,292,272	\$1,605,658
Maximum State Operating Assistance	\$141,754	\$ 444,610	\$ 586,364

City of Grand Haven, Michigan

Harbor Transit

Property and Equipment

<i>Year ended June 30, 2005</i>	Purchased with Harbor Transit Funds	Purchased with Capital Grants	Total
Land	\$ 9,261	\$ -	\$ 9,261
Building	38,514	1,057,074	1,095,588
Vehicles	64,162	1,877,197	1,941,359
Dispatch and office equipment	80,791	32,786	113,577
Total cost	192,728	2,967,057	3,159,785
Less accumulated depreciation	102,562	1,571,321	1,673,883
Net Property and Equipment	\$ 90,166	\$1,395,736	\$1,485,902

City of Grand Haven, Michigan Harbor Transit

Changes in Contributed Capital and Retained Earnings

Due to the adoption of GASB Statement No. 33, assets contributed after July 1, 2000 are no longer recorded as fund equity. Rather, the contributed assets are recorded as capital contribution revenue, thus becoming additional retained earnings. In addition, in accordance with GASB Statement No. 34, contributed capital is no longer reported in the financial statements.

City of Grand Haven, Michigan Harbor Transit

Vehicle Miles and Hours of Service (Unaudited)

Schedule of Mileage Data

<i>Year ended June 30, 2005</i>	Public Transportation	Charter
Demand-response		
First quarter	108,661	-
Second quarter	92,460	-
Third quarter	98,744	-
Fourth quarter	101,253	312
	401,118	312

Schedule of Vehicle Hours and Passengers

<i>Year ended June 30, 2005</i>	Vehicle Hours	Regular Passengers	Senior Passengers	Disabled Passengers	Senior/ Disabled Passengers
Demand-response:					
First quarter	7,202	29,679	7,931	13,004	2,310
Second quarter	5,604	17,088	5,427	12,018	1,873
Third quarter	6,166	21,849	5,325	12,199	1,926
Fourth quarter	6,576	22,539	6,016	12,814	2,680
	25,548	91,155	24,699	50,035	8,789

City of Grand Haven, Michigan Harbor Transit

Schedule of Financial Assistance – Federal and State

Federal Grantor/Pass thru Grantor/Program Title	Federal CFDA Number	Project Number	Program or Award Amount	Federal Expenditures	State Expenditures
Urban Mass Transportation and Public Transportation for Urban and Non-Urbanized Areas – Passed through the State of Michigan Department of Transportation					
Project #10/01/01-9/30/02	20.509		\$ 133,027	\$ 3,931	\$ -
Project #10/01/03-9/30/04	20.507		254,484	130,421	-
Project #10/01/04-9/30/05			243,513	175,885	-
Total Urban Mass Transportation and Public Transportation for Urban And Non-Urbanized Areas			631,024	310,237	-
Michigan Department of Transportation					
Life – specialized services	N/A	2002-0040-Z1	-	-	12,787
Life – specialized services	N/A	2002-0040-Z9	101,320	-	25,330
Life – specialized services	N/A	2002-0040-Z10	210,000	-	58,398
Life – specialized services	N/A	2002-0040-Z11	-	-	129,186
Life – specialized services	N/A	2002-0040-Z12	-	-	47,274
Project zero – specialized services	N/A	2002-0040-Z10	210,000	-	7,430
Project zero – specialized services	N/A	2002-0040-Z11	200,000	-	6,374
Operating assistance					
Act 51 9/30/05	N/A	-	-	-	376,368
Act 51 9/30/04	N/A	-	-	-	107,844
Total Michigan Department of Transportation			721,320	-	770,991
Total Financial Assistance – Federal and State			\$ 1,352,344	\$ 310,237	\$ 770,991